Saskatchewan
Mining
Development
Corporation

1982 Annual Report

86-0300/
72133 · 001

Letter of Transmittal

March 21, 1983

To His Honour,
The Honourable C. Irwin McIntosh,
Lieutenant-Governor of the Province of Saskatchewan

Dear Sir:

I have the honour to transmit herewith the annual report of Saskatchewan Mining Development Corporation for the year ending December 31, 1982, including the financial statements in the form requested by the Treasury Board and duly certified by the auditors of the Corporation.

Respectfully submitted,

Premier Grant Devine,
Minister in charge of
Saskatchewan Mining
Development Corporation

Uranium provides an environmentally clean and efficient method of generating electricity. SMDC uranium offers a secure source of long-term supply to utilities around the world.

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President's Message

Roy E. Lloyd,
President

1982 was a difficult year for the hardrock mining industry in the Western world, with metals prices reflecting the depressed levels of economic activity. Falling prices for most metals resulted in constricted cash flows and earnings. SMDC, like others in the industry, has adjusted its operations to reflect these circumstances.

Net earnings for 1982 amounted to $5.5 million from which a dividend of $1.2 million has been declared.

SMDC's share of sales from the Cluff Mining partnership amounted to $24.7 million in 1982. Significant interest revenue accrued to the Corporation during the year due to the availability of internally generated funds from operations and from the presale of Key Lake product, coupled with the timing of the placement of long-term debt relative to the timing and levels of capital expenditure on Key Lake and the exploration program.

Production at Cluff Lake amounted to about 3.8 million pounds U_3O_8 or 95% of rated capacity. Ore from the "D" orebody stockpile was processed throughout the year. The remainder of the stockpiled ore will be processed in 1983 or in Phase II of the operation. At year-end, agreement in principle had been reached on long-term contracts for the sale of the production from the Cluff project from 1983 through to 1992. The investment decision as to Phase II will be made upon review of the final engineering feasibility report.

The Corporation's development expenditures continued to be concentrated on the Key Lake project in which we are a 50% joint venture participant. At the end of 1982 our cumulative investment in the project amounted to almost $346 million. Development work on site progressed well during the year despite the province-wide construction strike over the summer.

During the last four months of 1982 an average workforce of 1000 worked on an accelerated construction schedule to maintain the mid-1983 mine-mill completion and start-up target. Project costs have come in well within the original engineering estimate.

At year-end, stripping of the Gaertner pit overburden had been completed; mining and stockpiling of cobble ore, which occurs above the main orebody, commenced. The mill complex was more than 50% complete and the tailings waste disposal area was about 90% complete.

Marketing activity for the SMDC share of Key Lake production progressed well during the year with ten contracts being concluded for a total of 17.6 million lbs. U_3O_8. Commitments and contracts, in the final stages of negotiation at year-end, will account for close to 80% of SMDC's share of productive capacity through to the end of 1986 and 66% of productive capacity through to the end of the decade.

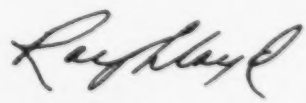
During the year the Corporation sold and delivered 460,000 lbs. of borrowed concentrates which will be repaid to the utility lenders when Key Lake comes into production. Not only does this approach allow us to service the immediate needs of customers under long-term contracts, but it also provides reasonable cost financing to the Corporation and expands the available market in the initial production period.

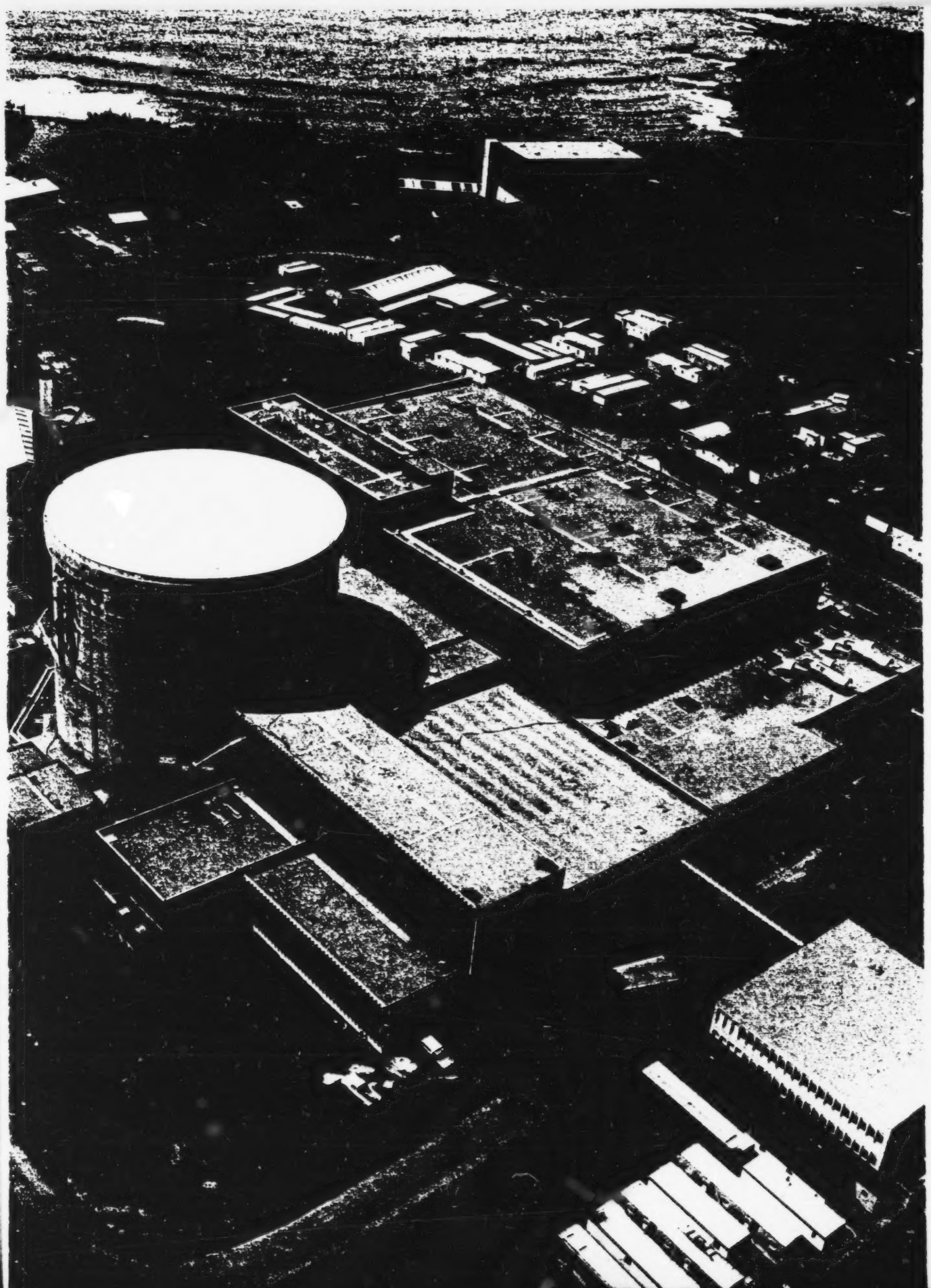
The spot market prices for uranium remained depressed throughout the year with some recovery in price beginning in the last quarter and continuing into 1983. The longer-term outlook continues to be favorable with Western world demand for uranium expected to grow at between 6-8% annually through to 1995. The period of depressed prices has resulted in adjustments to the available supply as some of the higher-cost production facilities have been phased out. To meet projected demand new sources of supply will be required in the latter portion of the decade or in the early nineties.

With the present market outlook, and given the stage of the uranium exploration cycle in Saskatchewan, the Corporation's exploration program became more selective. Activities were concentrated on those projects with the greatest potential for development in the nineties. We were particularly encouraged by the discovery of high-grade uranium mineralization at Cigar Lake in the SERU-operated Waterbury Lake project. Our interest in this deposit is further enhanced by virtue of its proximity to the already known Dawn Lake deposit.

Our base and precious metals exploration program was concentrated in Saskatchewan. We were extremely encouraged by the drilling results reported at the Gränges-operated Bigstone Lake and the Giant Yellowknife-operated Wedge Lake projects.

Progress was made on several projects important to SMDC's long-term development. This progress can be attributed to the dedication and commitment shown to the Corporation by our employees under the clear guidance of our Board of Directors.





Sales agreements for the supply of uranium concentrates to electric utilities in Sweden and the United States were concluded during the year. The two utilities in Sweden, with which SMDC has contracted to supply uranium, operate 9 of the 12 nuclear electric generating units authorized by the Swedish government. Currently, nuclear facilities contribute more than 35% of the electricity generated in Sweden.

SMDC's first uranium supply agreements in the United States were concluded with Yankee Atomic Electric Company and its associated utilities — Maine Yankee, Vermont Yankee and the Public Service Company of New Hampshire. Yankee Atomic Electric Company has had a reactor unit in operation since 1961 and both the Maine and Vermont Nuclear Power Corporations have been operating their reactor units since 1972. Seabrook I, the first unit of the two reactor stations that the Public Service Company of New Hampshire has under construction, is scheduled for operation in 1985.

Sales agreements with three other United States utilities were also concluded in 1982. These utilities include Commonwealth Edison Company (which has the largest nuclear generating program in the United States), Philadelphia Electric Company and Kansas Gas and Electric Company.

All concentrates from Cluff Mining were sold into the Western European market. As a result of Europe's strong commitment to nuclear generated electricity, it surpassed the United States as the foremost consumer of uranium in 1982.

In Canada, a long-term supply agreement for the Point Lepreau Generating Station was concluded with New Brunswick Electric Power Commission. The Point Lepreau Station is the first of the CANDU 600 Mwe reactor design to enter into service. At year-end, the station had reached 75% of its design capacity.

Under previous commitments, SMDC will supply concentrates to a utility in Japan and to the Korea Electric Power Company in South Korea. Currently, South Korea has one reactor in operation and twelve under construction. The Canadian supplied Wolsung 1 station is the next unit scheduled for operation and was synchronized to the South Korean grid on December 31, 1982.

Long-Term Prospects

Although there are indications world-wide that the rapid growth of nuclear electricity is being moderated, long-term projections indicate a steadily increasing demand for uranium.

Currently, the total number of nuclear electric generating units in commercial operation in the Western world is 276, including 77 units in the United States. In addition, 245 units are under construction.

Potential SMDC markets include North America, Western Europe, Scandinavia and Asia, particularly Japan and South Korea.

SMDC will supply the uranium concentrate requirements for New Brunswick Electric Power Commission's Point Lepreau generating station. The station produced its first electricity in September, 1982.

Cluff Mining

Cluff Mining is owned by Amok Ltd/Ltée (80%) and SMDC (20%). SMDC became a 20% partner in the operation in June 1979. Amok is the operator of the project.

Production during 1982 utilized ore from the "D" orebody and totalled 3,819,089 lbs. U_3O_8, processed from two types of ore. The first involved the processing of 2,025 tonnes high-grade ore, averaging 34.3% U_3O_8. This high-grade ore was crushed, ground, and sent directly to acid leach.

The second type, the bulk of the ore, amounting to 46,466 tonnes averaging 3.54% U_3O_8, was preconcentrated before processing. This preconcentration stage, or gravimetric process, upgraded the ore to 4,047 tonnes averaging 29.1% U_3O_8 before grinding and acid leaching. The rejected material from the gravimetric process was stored for processing during Phase II. Processing of the Phase I ore will be completed early in 1983.

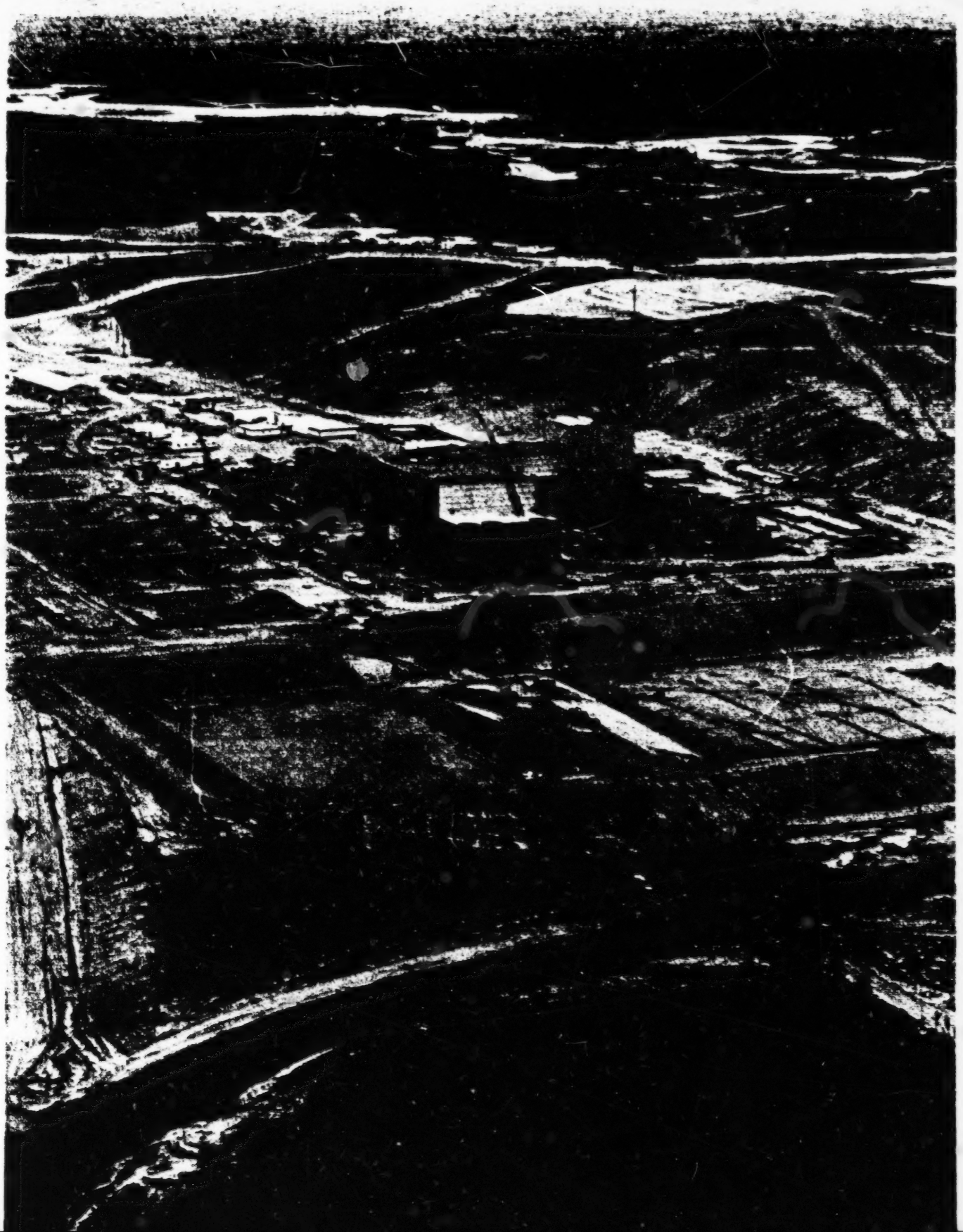
As mining of the "D" orebody had been completed in the previous year, mine crews were engaged throughout most of 1982 in hauling ore from the mine stockpiles to mill storage.

Approval was obtained at mid-year to conduct a small experimental surface mining operation on the Claude orebody. This was necessary in order to verify the grade of ore and to optimize the mining method to be used in Phase II. This operation, completed in November, recovered about 36,000 tonnes of ore averaging 0.58% U_3O_8.

The installation of a mini-solvent extraction circuit in the mill commenced prior to year-end in order to process the remaining Phase I ore residues. The circuit will bridge the gap between the high-grade Phase I operation and the start-up of Phase II. The mill will process the gravimetric residues which will average 3.18% U_3O_8. It will produce 1.5 million lbs. of U_3O_8 over the sixteen months it will be in operation.

During 1982 Cluff Mining averaged 353 employees. Northerners represented an average of 47% of the on-site workforce.

An environmental scientist monitors snow accumulation at the Cluff minesite. Estimates of spring run-off are needed to ensure the safe operation of the waste management program.



Key Lake

The project is operated by Key Lake Mining Corporation (KLMC), a joint venture operating company owned by SMDC (50%), Uranerz Exploration and Mining Limited (33⅓%) and Eldor Resources Limited (16⅔%). KLMC is constructing a modern mine-mill complex to process the rich Gaertner and Deilmann uranium orebodies whose mineable reserves average 2.5% U_3O_8 and total over 180,000,000 lbs. The facility is expected to come into production in the second half of 1983.

By year-end, the stripping of the Gaertner Pit overburden had been completed, 6 months ahead of schedule, despite poor field conditions due to inclement weather.

The construction schedule is on target, even though the province-wide strike delayed progress for several months. In the last quarter, approximately 1000 people were working on an accelerated schedule to bring the project to production. By December 1982, the mill complex was more than 50% complete. Structural steel for the last of the mill buildings, the acid plant and the boilerhouse, was erected and the crusher-grinder plant was on schedule to completion in mid-April 1983. Only four to six weeks were needed to complete the tailings pond. This has been postponed until spring.

Construction of the mill buildings at the Key Lake minesite was well advanced at year-end. Roofing and wall cladding were underway at the solvent extraction, yellowcake and administration buildings.

The majority of essential equipment is now on site, including the first two diesel generators installed in the powerhouse.

Estimated capital costs to completion are on target. When in production, the project will provide approximately 500 permanent jobs.

Cluff Lake Phase II

The Phase II operations, which involve the mining and milling of more conventional grade ores, will not be in production before mid-1984.

Efforts were directed at improving the reserve estimates for those deposits from which the Phase II production will be obtained. Extensive diamond drilling was conducted on the promising Peter River deposit. At year-end, these drilling results indicated a sizeable orebody which would support an underground mining operation.

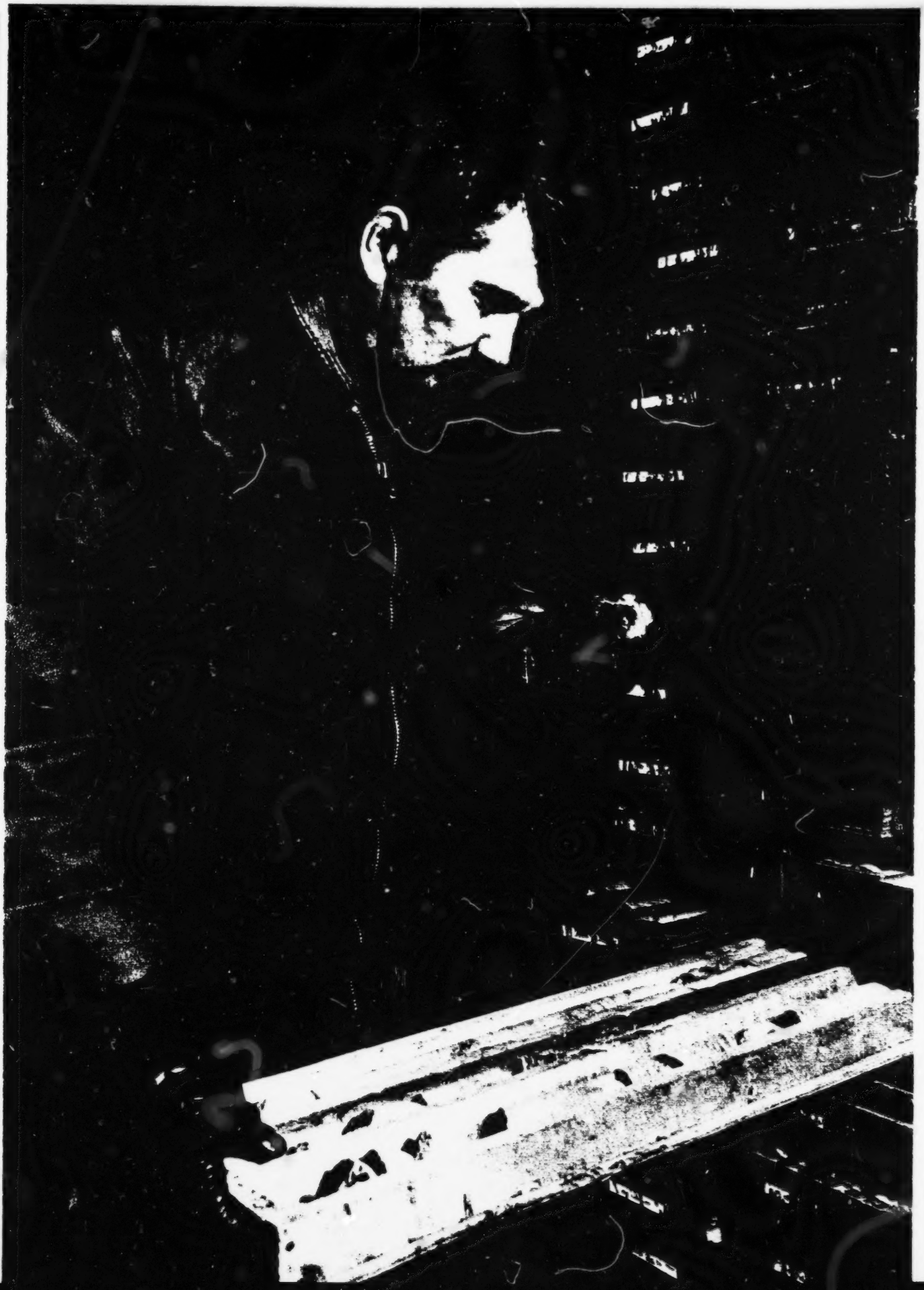
The Environmental Impact Assessment was filed with the regulatory agencies at the end of 1982.

The capital and development costs to construct the Phase II mill and to bring the new open-pit and underground mines into production will total over $80 million.

The basic engineering study for the Phase II mill will be completed early in 1983. Upon completion of these studies and ore reserve evaluation a final decision with respect to Phase II will be taken.

Other Projects

Pre-feasibility studies are continuing on the recovery of magnesium from waste potash brines; a limestone/lime calcination project; and new 'ore-sorter' pre-concentration techniques for a joint venture graphite development.

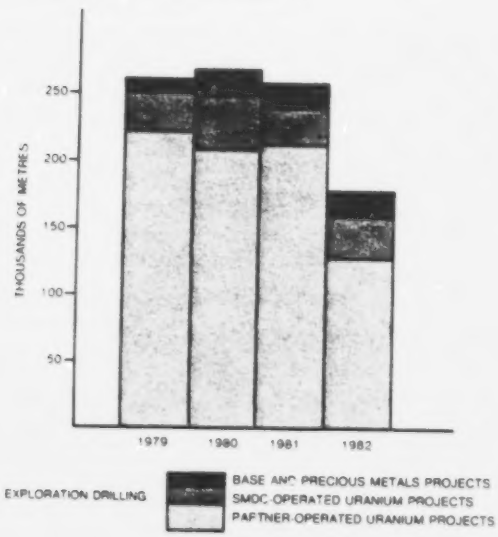


Exploration

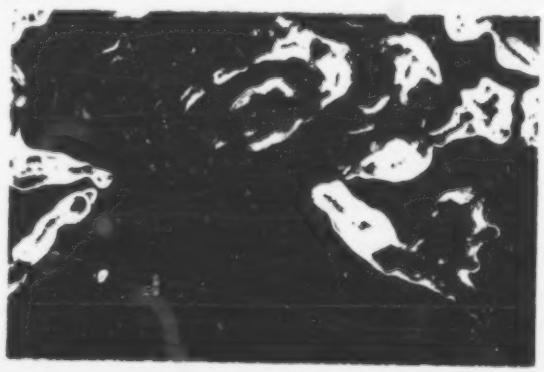
The exploration activities of SMDC continued to focus on uranium in the Athabasca region of Saskatchewan. However, the proportion of base metal and precious metal exploration increased to 30% of the total 1982 exploration program.

Based on unfavorable market conditions and the world-wide reduction in metals exploration, the decision was made during 1982 to reduce the scope of several SMDC projects and to curtail out-of-province exploration activities. The Vancouver exploration office was closed at the end of the year. The decline in the total number of metres drilled, as shown in the table below, reflects the reduced level of activity. Efforts were concentrated on the more advanced projects in Saskatchewan.

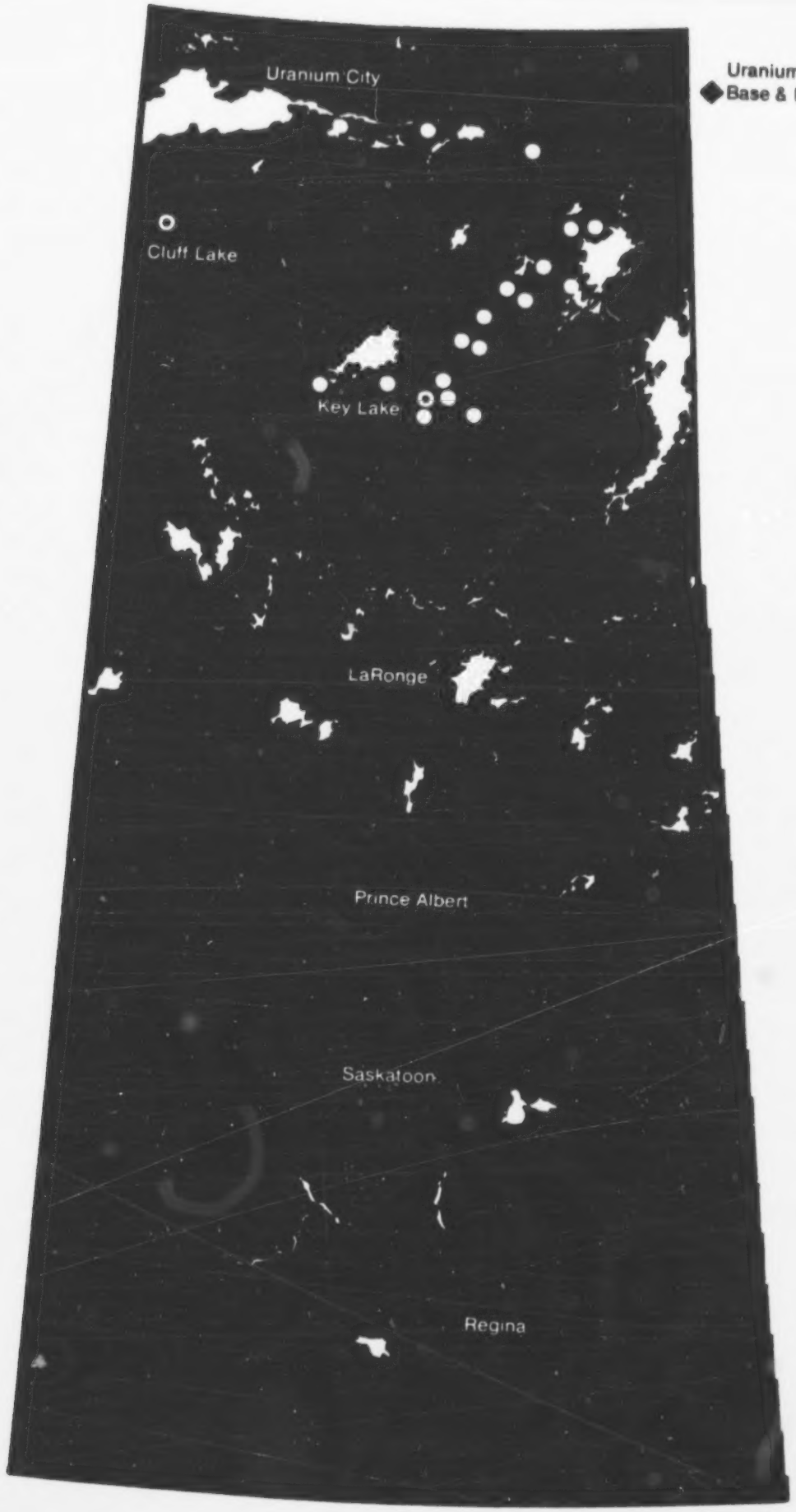
Exploration Drilling



In the Athabasca Basin uranium exploration area, a co-operative airborne magnetic gradiometer survey, covering 7100 square kilometres, was completed during the year by SMDC and 26 other companies. This will assist in the interpretation of basement geology and in target definition beneath the sandstone cover. Below are the gradient map and the derived geological interpretation.



Diamond drill core is examined and catalogued in a core storage area. Geologists are constantly studying core samples as new geological theories are tested and applied to exploration projects.


Uranium City
Cluff Lake
Key Lake
LaRonge
Prince Albert
Saskatoon
Regina
Uranium
Base & Precious Metals

Uranium

During 1982, SMDC's uranium exploration expenditures were concentrated on project areas close to known, developabie deposits or those containing evidence of the presence of such deposits.

The ownership percentages referred to below indicate SMDC's interest at December 31, 1982.

Waterbury Lake — This joint venture project, managed by SERU Nucléaire (Canada) Limitée, subsidiary of COGEMA of France, is located west of the Dawn Lake Project. The 1982 drilling program was concentrated in the Cigar Lake area. Uranium mineralization occurs beneath the sandstone cover at depths of 410-440 m. By year-end, 26 drill holes were completed. Of these, 22 holes, over a length of more than 1200 m, showed uranium values. These included 3 very good intersections of 6.4% U_3O_8 over 4.3 m, 13.3% U_3O_8 over 6.5 m and 13.4% U_3O_8 over 6.7 m. Although further drilling is required to establish width and continuity between drill sections 100-150 m apart, the results to date are highly encouraging. The SMDC interest in this project is 50.75%.

SMDC continued to concentrate its investment dollars in those projects with the greatest potential.

Dawn Lake — Asamera Inc. managed a program of further drilling near the previously discovered 11, 11A, 11B and 14 zones and an exploration program of other parts of the large joint venture property. Following Asamera's resignation as operator of the project, SMDC will manage the operations in 1983. SMDC holds 54.59% interest.

Cluff Lake Area — SMDC participated with interests of from 20% to 50% in four projects managed by Amok Ltd/Ltée in the Cluff Lake area. Targets continued to be high-grade deposits at the contact between sandstone and basement rocks, and lower-grade deposits within basement rocks in this established mining area.

Cree-Zimmer — This project, managed by Uranerz Exploration and Mining Limited, is exploring a large, geologically favorable area surrounding the Key Lake mine. Graphite zones, beneath a relatively thin sandstone cover, provide geological environments similar to that at Key Lake. These are being explored systematically by a joint venture in which SMDC owns a 50% interest.

McArthur River — SMDC operated this joint venture located 50 to 74 km northeast of the Key Lake mine. Numerous uranium-bearing sandstone boulders indicate the likely presence of uranium and drilling has confirmed uranium in bedrock in two locations. SMDC had a 50.75% interest.

Other Uranium Projects — SMDC participated in ten other joint venture projects and operated a further five uranium exploration projects in Saskatchewan during the year.

Base Metals

Copper-zinc deposits in volcanic rocks continued to be a major target of SMDC exploration in 1982. This exploration was concentrated in the area of Saskatchewan west of Flin Flon, and extended into the corresponding geological environment east of Flin Flon into Manitoba. Copper-zinc exploration was also carried out during the year in the area north and east of La Ronge, in two areas in east-central Manitoba and in two areas in British Columbia.

Bigstone Project — During the year copper-zinc mineralization of economic grade was discovered near Bigstone Lake, 90 km west of Flin Flon and 150 km east of La Ronge. Further drilling is continuing in order to determine whether sufficient reserves exist for development. The chart below shows initial drilling results from south to north.

Drill Hole #	Core Length (metres)	g. Ag/ tonne	% Cu	% Zn
31	2.31	15.96	.30	13.18
18	3.6	8.57	.20	5.49
	2.1	1.28	.04	5.26
29	11.33	18.10	.17	17.24
	including			
	4.0	36.00	.13	45.50
	2.15	.50	.06	27.65
30	2.62	3.27	.07	13.15
	3.00	50.00	3.19	.33
	34.98	26.99	3.30	.77
	including			
	25.98	33.13	4.07	.25
	2.16	1.88		19.0

Massive sulphide deposits occur most notably in the Precambrian greenstone belts of the Flin Flon area. Often these contain economic levels of copper-zinc mineralization.

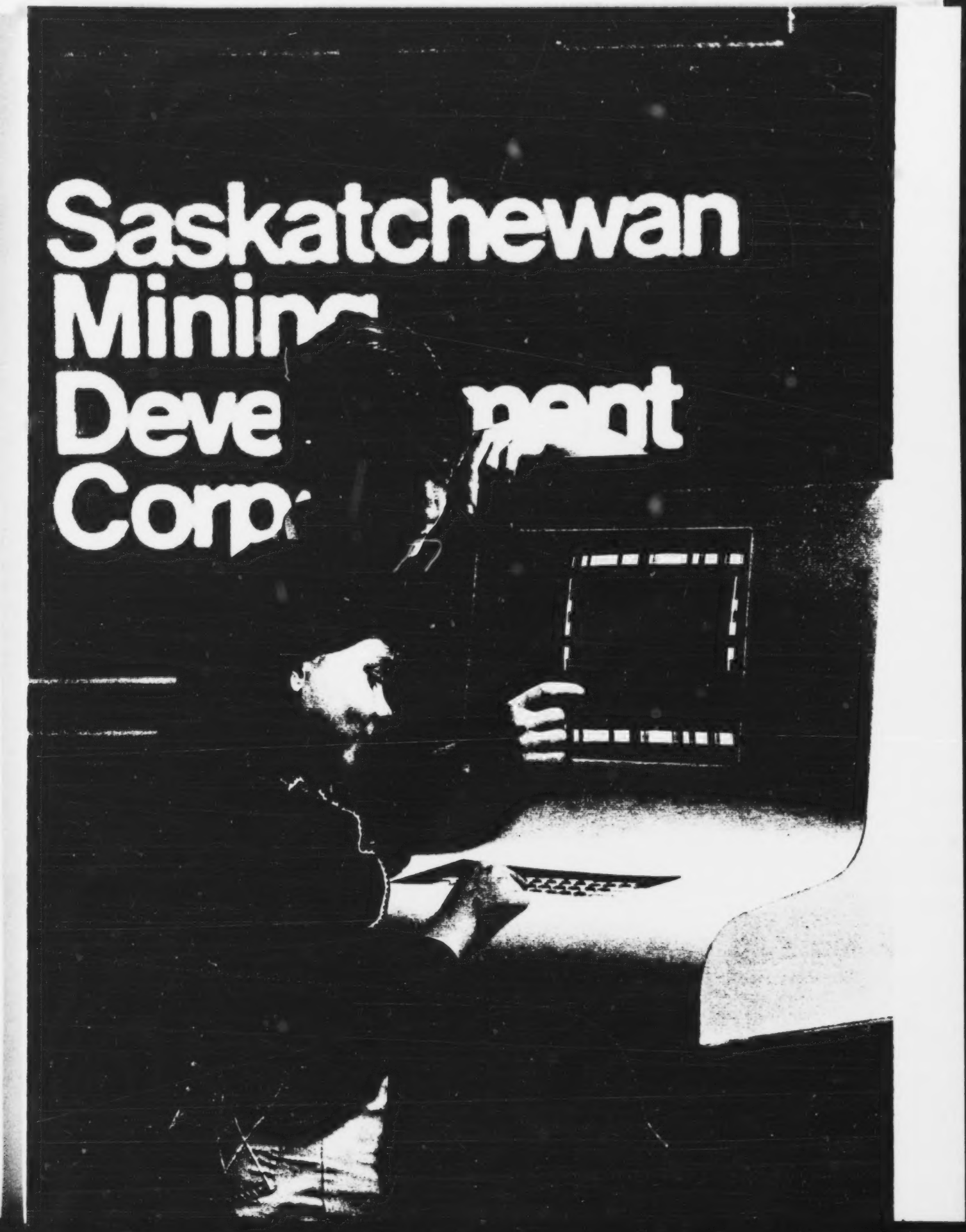
These drill holes are 60° angle holes spaced 50 m apart along the zone. Several zones of zinc and copper mineralization are indicated at depths of 45-130 m below surface.

This project, in which SMDC holds a 50% interest, is a joint venture managed by Gränges Exploration AB of Sweden, in partnership with Outokumpu Oy of Finland.

Gold

SMDC has participated in or operated a number of gold exploration projects in three known gold areas of Saskatchewan: the Flin Flon area, the La Ronge-Waddy Lake area and the Lake Athabasca area. Potential gold environments were also explored during the year in Manitoba, British Columbia and Yukon.

Waddy Lake Area — SMDC holds an interest in several properties in this area. Activities included prospecting, trenching, geophysical and geochemical surveys and diamond drilling on some projects. Exploration of the Wedge Lake property was managed by Giant Yellowknife Mines Limited, with Golden Rule Resources Ltd. as a partner. Diamond drilling included several sections which assayed more than 0.2 oz of gold per ton over estimated horizontal widths of from 2.5 m to 5 m, together with some sections of lower-grade material, in a zone the total length of which is about 500 m. Other drilling in the Waddy Lake area showed low but persistent gold values. Further drilling is required to determine the size and continuity of mineralization.


Saskatchewan
Mining
Development
Corporation

Corporate Activities

Both the Corporation and individual staff members take an active role in industry affairs and community life.

In particular, SMDC recognizes its responsibility to assist northern Saskatchewan communities to adjust to the changes evolving from present and future developments.

An active program of community visits is pursued, providing an opportunity to explain SMDC's activities and to respond to requests for information. A pilot project in northern Saskatchewan was initiated this year. Four issues of a science-oriented magazine, *Directions*, were published and distributed to northern students.

The Corporation has played an active role in many professional conferences and exhibitions throughout the year.

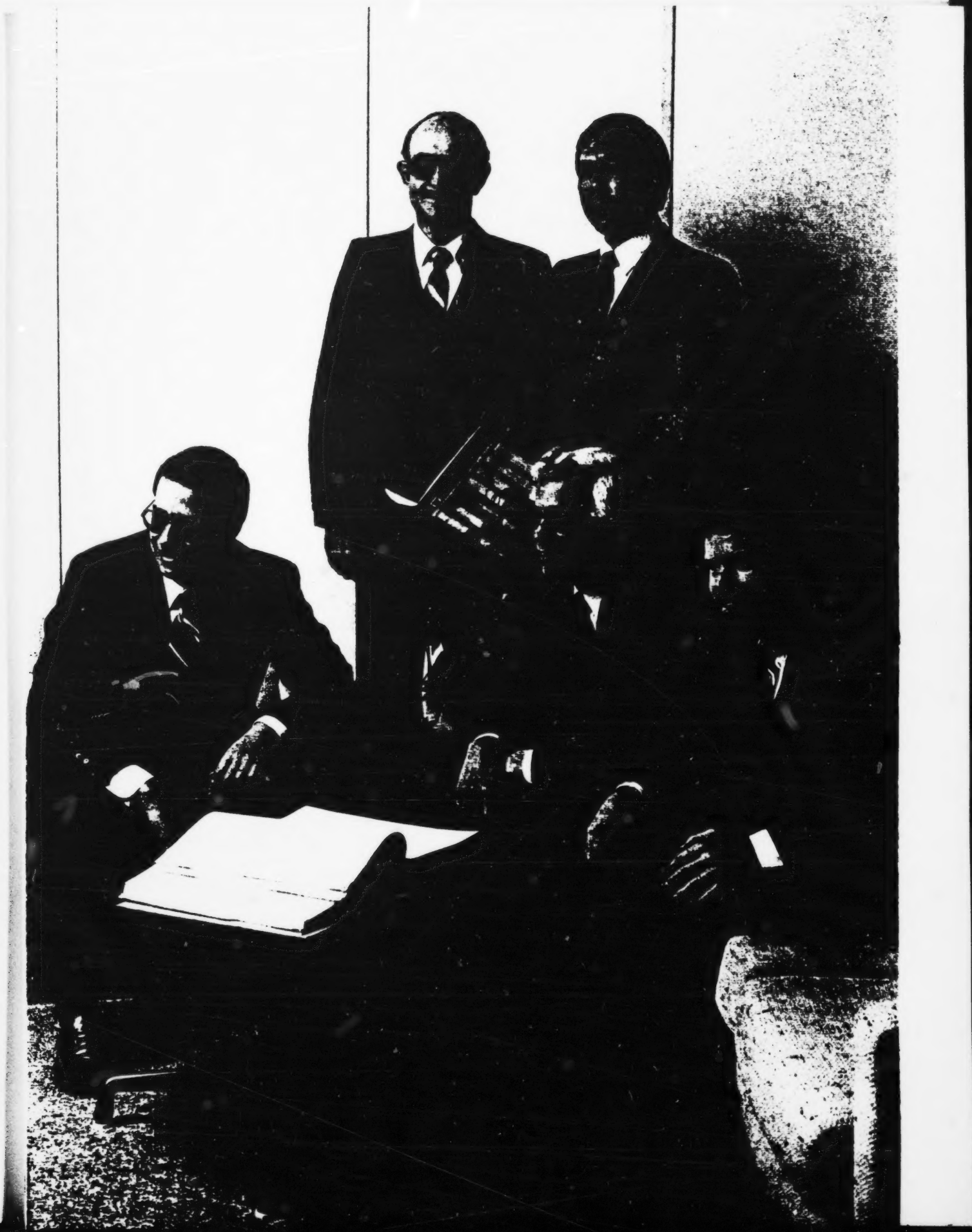
Energex '82, an international event focusing on energy alternatives, provided a valuable forum for the discussion of energy options. Plans for 1983 include participation in Futurescan '83, a national futures event to be staged in Saskatoon in June.

The Corporation also played a key co-ordinating role in the organization of the 9th International Geochemical Exploration Symposium held in Saskatoon in May 1982.

For the past six years SMDC has offered bursaries to students taking industry-related courses at the post secondary level. Five bursaries were awarded in 1982, three of which went to residents of northern Saskatchewan.

The Corporation fosters community activities and cultural programs through corporate contributions in three major areas: events related to the exploration, mining and energy industries; community projects in northern Saskatchewan, as well as recreational and cultural programs.

Visitors are encouraged to take an active role in SMDC's display. Our computer quizzes are popular with the younger generation.



Management's Responsibility for Financial Reporting in the Annual Report

Management has prepared the financial statements of the Corporation in accordance with generally accepted accounting principles applied on a consistent basis. The financial data included elsewhere in this report is consistent, to the extent applicable, with the financial statements and the underlying information from which these financial statements were prepared.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

The auditors, appointed each year by the Board of Directors, have reviewed the systems of internal control and examined the financial statements in accordance with generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report, as auditors, is set forth on page 20.

The statements have been examined and approved by the Board of Directors.

On behalf of the Corporation,

President

Vice President
Finance and Administration

left to right:
R.E. (Roy) Lloyd, President
D.R. (David) Francis,
Executive Vice President, Operations
D.G. (Don) Somers,
Vice President, Corporate Affairs
A.E. (Arnold) Hillier,
Vice President, Finance & Administration
S.J. (Jim) Bonny,
Vice President,
Marketing & Corporate Development

Auditors' Report

To the Members of
The Legislative Assembly,
Province of Saskatchewan:

We have examined the consolidated statement of financial position of Saskatchewan Mining Development Corporation as at December 31, 1982 and the consolidated statements of operations, reinvested earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Saskatoon, Canada,
March 4, 1983.

Chartered Accountants

Consolidated Statement of Operations

Saskatchewan Mining Development Corporation
Year ended December 31, 1982

	1982	1981
	(thousands of dollars)	
Revenue:		
Sales of product	$24,707	$27,592
Interest from short-term investments	10,206	—
Other	151	90
	35,064	27,682
Expenses:		
Operating expenses	5,423	5,231
Depreciation and amortization	12,094	10,022
Provincial royalties and taxes	1,054	828
Exploration project areas written off	10,997	5,469
	29,568	21,550
Earnings before extraordinary item	5,496	6,132
Extraordinary item	—	(543)
Net earnings	$ 5,496	$ 5,589

Consolidated Statement of Reinvested Earnings

Saskatchewan Mining Development Corporation
Year ended December 31, 1982

	1982	1981
	(thousands of dollars)	
Deficit, beginning of year	$ (4,286)	$ (9,875)
Net earnings	5,496	5,589
	1,210	(4,286)
Less dividend (note 12)	1,200	—
Reinvested earnings (deficit), end of year	$ 10	$ (4,286)

(See accompanying notes)

Consolidated Statement of Financial Position

Saskatchewan Mining Development Corporation
December 31, 1982

	1982	1981
	(thousands of dollars)	
Assets		
Current:		
Cash and short-term deposits	**$ 18,343**	$ —
Due from joint venture partners	**454**	725
Accounts receivable	**11,736**	1,189
Inventories (note 3)	**4,091**	2,716
Prepaid expenses	**353**	114
	34,977	4,744
Property, plant and equipment (note 4)	**611,038**	451,297
Deferred financing costs less amortization	**7,635**	2,093
	$653,650	$458,134
Liabilities and Province's Equity		
Current:		
Bank indebtedness	**$ —**	$ 12,240
Due to joint venture partners	**1,633**	4,020
Accounts payable	**18,898**	9,316
Dividend (note 12)	**1,200**	—
Accrued interest on long-term debt	**23,332**	3,623
	45,063	29,199
Deferred revenue (note 5)	**13,984**	—
Long-term debt (note 6)	**344,752**	183,380
Total liabilities	**403,799**	212,579
Province of Saskatchewan's equity:		
Advances (note 7)	**249,841**	249,841
Reinvested earnings (deficit)	**10**	(4,286)
	249,851	245,555
	$653,650	$458,134

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

Saskatchewan Mining Development Corporation
Year ended December 31, 1982

	1982	1981
	(thousands of dollars)	
Sources of funds:		
Operations		
Earnings before extraordinary item	$ 5,496	$ 6,132
Non-cash expenses	23,164	15,491
	28,660	21,623
Province of Saskatchewan's equity advances	—	66,600
Long-term debt	161,372	118,380
Deferred revenue	13,984	—
Proceeds on disposal of fixed assets	53	—
	204,069	206,603
Use of funds:		
Property, plant and equipment	182,958	98,163
Deferred financing costs	5,542	2,131
Dividend (note 12)	1,200	—
	189,700	100,294
Increase in working capital	$ 14,369	$106,309

(See accompanying notes)

Notes to Consolidated Financial Statements

Saskatchewan Mining Development Corporation
December 31, 1982

1. Accounting Policies

This summary of significant accounting policies is a description of the accounting methods and practices that have been used in the preparation of these consolidated financial statements.

Consolidation Principles

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiary SMD Mining Co. Ltd.

Joint Ventures

The Corporation's assets and liabilities relate primarily to its 20% interest in the Cluff Mining partnership, its 50% interest in the joint venture operated by Key Lake Mining Corporation and its interests in other joint ventures varying from 10% to 85%. These interests are accounted for by the proportionate consolidation method.

Inventories

Broken ore and concentrates are valued at the lower of production cost and estimated net realizable value. Supplies are valued at the lower of average cost and replacement value.

Production Facilities and Equipment and Depreciation

Production facilities and equipment are depreciated by the unit of production method over the estimated economically recoverable ore reserves or by the straight line method if the estimated useful life of the asset is less than the estimated mine life.

Other facilities and equipment are depreciated by the straight line method at rates varying from 10.0% to 33.3%.

Deferred Mineral Property Costs and Amortization

Each group of contiguous mineral properties is accounted for separately and is designated as a project area. All acquisition of mineral properties, exploration, development and other expenditures relating to each project area are deferred and carried at cost with the intention that they will be amortized by charges against earnings from future mining operations. At such time as it is deemed that a project area does not contain economically recoverable ore reserves the related deferred expenses are written off to earnings.

The decision to develop a producing mine property within a project area will be based on an assessment of the prevailing conditions at that time. No depreciation or amortization will be provided on such a property until commercial production commences. After a mine property has been brought into commercial production, any additional work on that property will be expensed as incurred, except for large development programs, which will be deferred and amortized over the related remaining reserves.

Deferred mineral property costs are amortized against related production revenue by the unit of production method based on the property's estimated economically recoverable ore reserves.

Capitalization of Interest

Interest is capitalized on expenditures related to construction or development projects. Capitalization is discontinued when the asset is ready for its intended use or development ceases.

Debt Financing Costs

Long-term debt premium, discount and issue costs are deferred and amortized over the term of the issues to which they relate. The amortization is included with interest as a cost of borrowing.

Foreign Exchange Translation

Current assets, current liabilities and long-term debt denominated in foreign currencies are translated into Canadian dollars at the year-end rate; revenue and expenses are translated at rates in effect during the year.

Foreign exchange gains or losses arising on translation of long-term debt are deferred and amortized over the remaining terms of the debt. All other foreign exchange gains or losses are reflected in the consolidated statement of operations.

2. Status of Saskatchewan Mining Development Corporation

The Corporation was established by Order-in-Council #865/74 dated June 4, 1974 and continued under the Saskatchewan Mining Development Corporation Act, 1977. The Corporation's accounts are included in the annual consolidated statements of Crown Investments Corporation of Saskatchewan.

Notes to Consolidated Financial Statements

Saskatchewan Mining Development Corporation
December 31, 1982

3. Inventories

	1982	1981
	(thousands of dollars)	
Broken ore and concentrates	$ 3,051	$ 1,705
Supplies	1,040	1,011
	$ 4,091	$ 2,716

4. Property, Plant and Equipment

	1982	1981
	(thousands of dollars)	
Producing properties:		
Production facilities and equipment	$ 17,667	$ 16,033
Deferred mineral property costs	27,781	27,781
	45,448	43,814
Less accumulated depreciation and amortization	22,074	10,022
	23,374	33,792
Non-producing properties:		
Deferred mineral property costs		
Exploration projects	152,417	133,654
Cluff Mining Project - Phase II	89,430	74,579
Key Lake Project	345,817	209,272
	587,664	417,505
	$611,038	$451,297
Property, Plant and Equipment includes interest incurred and capitalized		
During the year	$ 52,265	$ 33,317
Since inception	$122,496	$ 70,231

5. Deferred Revenue

During 1982 the Corporation fulfilled the terms of two product loan agreements as follows:

Pounds of uranium concentrates Borrowed and sold	To be repaid subject to prior notice on or before December 31	Annual charge per pound
200,000	1985	$1.40 U.S.
260,000	1986	6½% of the transaction value published by the Nuclear Exchange Corporation (NUEXCO) one month prior to loan anniversary, provided that the transaction value not exceed $25.00 U.S. or fall below $17.00 U.S.

The deferred revenue will be included in earnings as uranium concentrates produced at the Key Lake mine become available to the Corporation.

If the Corporation should be unable to meet its obligations to return the borrowed concentrates in kind, the lender of the 200,000 pounds of uranium concentrates, may purchase concentrates from an outside party and the Corporation must reimburse the lender for all costs related to the purchase.

In order to borrow the 260,000 pounds of uranium concentrates the Corporation has obtained, as collateral, an irrevocable letter of credit guaranteed by the Province of Saskatchewan, with a current maximum value of $8,000,000 U.S. If the Corporation should be unable to meet its obligations to return these borrowed concentrates in kind, the lender could, on demand, draw upon the letter of credit for its cost of purchasing substitute concentrates.

Notes to Consolidated Financial Statements

Saskatchewan Mining Development Corporation
December 31, 1982

6. Long-Term Debt

	1982	1981
	(thousands of dollars)	
Floating rate debenture Series A unconditionally guaranteed by the Province of Saskatchewan mature on March 1, 1985 subject to prior redemption with interest payable quarterly at a rate of ¾ of 1% less than the average prime rate of the Royal Bank of Canada.	$ 65,000	$ 65,000
Province of Saskatchewan notes of $100,000,000 U.S. mature on November 15, 1988 subject to prior redemption with interest at 16¼% payable annually.	122,880	118,380
Province of Saskatchewan notes of $50,000,000 U.S. mature on March 15, 1989 with interest at 16% payable annually. ..	61,440	—
Province of Saskatchewan notes of 150,000,000 Swiss francs fully hedged at $77,662,684 U.S. mature on March 1, 1988 with interest at 15⅞% payable annually.	95,432	—
	$344,752	$183,380

7. Province of Saskatchewan's Equity

Advances are non-interest bearing and are repayable at the discretion of the Province. Advances to date have been obtained from:

	1982	1981
	(thousands of dollars)	
The Saskatchewan Heritage Fund	$218,700	$218,700
Crown Investments Corporation of Saskatchewan	31,141	31,141
	$249,841	$249,841

8. Commitments

The Corporation is committed for its 50% share of the originally estimated total cost of $563,000,000 to build and bring into production the Key Lake mine designed to produce 12,000,000 pounds of U_3O_8 per annum. Of this total amount, $334,600,000 has been spent to December 31, 1982. Production is scheduled to start in the last half of 1983.

The Corporation has financial commitments under various other joint venture agreements it has entered into in the normal course of operations. The Corporation is required to pay its proportionate share of the exploration and development expenditures to maintain its interest in each joint venture.

9. Subsequent Events

On March 22, 1983 the Corporation will receive the net proceeds from the issue of Province of Saskatchewan notes of $75,000,000 U.S. maturing on March 15, 1990, with interest at 10¼% payable annually.

In addition to the 460,000 pounds of uranium concentrates borrowed during 1982 as disclosed in note 5 and to enable it to meet its delivery schedules, the Corporation has committed to borrow 1,120,000 pounds of uranium concentrates with an option to borrow a further 620,000 pounds. To borrow this total of 1,740,000 pounds of uranium concentrates the Corporation has obtained, as collateral, an irrevocable letter of credit guaranteed by the Province of Saskatchewan, with a current maximum value of $52,000,000 U.S. If the Corporation should be unable to meet its obligations to return these borrowed concentrates in kind, the lender could, on demand, draw upon the letter of credit for its cost of purchasing substitute concentrates.

10. Related Parties

Included in these financial statements are expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms.

Other amounts due to related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

11. Remuneration of Directors and Senior Officers

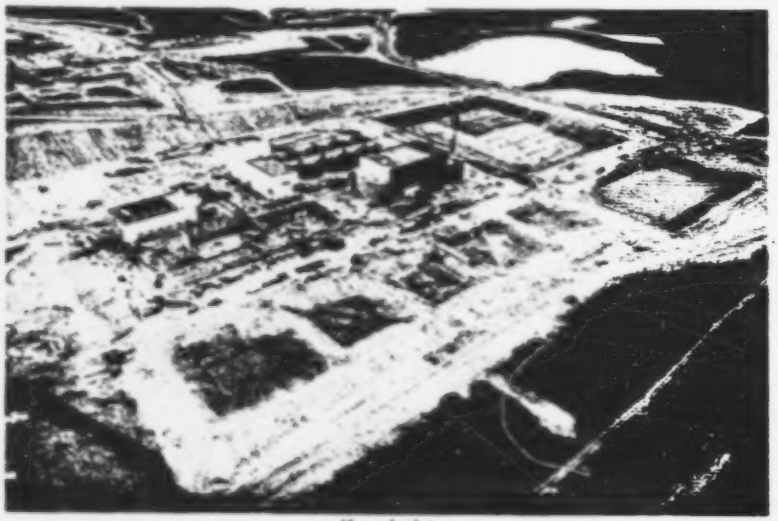
The Corporation's eight directors (1981 — 10) received, in aggregate $16,027 remuneration in 1982 (1981 — $32,450).

Fifteen senior officers (1981 — 13) received, in aggregate, $855,687 in salaries for 1982 (1981 — $762,285). Certain positions were vacant for portions of both years.

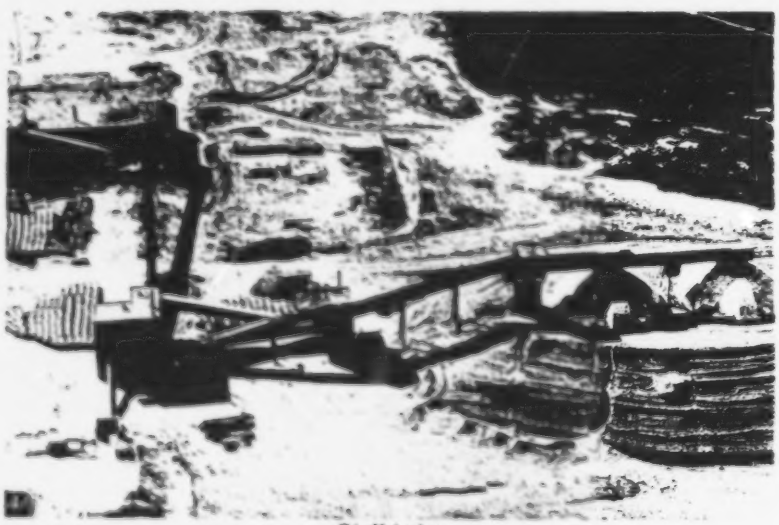
12. Dividend

On February 7, 1983, a decision was made by Crown Investments Corporation of Saskatchewan under the Crown Corporations Act to require the Corporation to distribute all of its 1982 net earnings, subject to the availability of reinvested earnings, to Crown Investments Corporation of Saskatchewan by way of a dividend to be reflected in the Corporation's financial statements for the year ended December 31, 1982.

Board of Directors Tours Minesites



Key Lake



Cluff Lake

Board Of Directors

Honourable Grant Devine,
Premier and
Chairman of the Board,
Regina

Honourable Eric Bernston,
Deputy Premier,
Minister of Agriculture,
Regina

E.W. Barootes,
Regina

Allan Brigden,
Kisbey

Lorne Humphreys,
Moose Jaw

Herbert Morrison,
Saskatoon

Helen Swan,
Saskatoon

Marcel Tabouret,
Regina

Drew Plaxton,
Corporate Secretary,
Saskatoon

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